

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Nottawa	County Isabella
Audit Date March 31, 2006	Opinion Date April 17, 2006	Date Accountant Report Submitted to State: April 17, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

April 17, 2006

To the Township Board
Township of Nottawa
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Nottawa, Isabella County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Nottawa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Nottawa, Isabella County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Nottawa covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$256,111.42 from governmental activities with a \$45,909.38 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statement of net assets includes all the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

All of the activities of the Township are reported as governmental activities. These include the General Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant is fire protection which incurred expenses of \$59,938.00.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$28,940.00 in capital assets.

The Township's governmental activities paid \$0 in principal on long-term debt.

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at 1887 N. Winn Road, Weidman, Michigan 48893.

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	579 320 62
Taxes receivable	<u>3 224 14</u>
Total Current Assets	<u>582 544 76</u>
NON-CURRENT ASSETS:	
Capital Assets	118 643 73
Less: Accumulated Depreciation	<u>(29 442 50)</u>
Total Non-current Assets	<u>89 201 23</u>
TOTAL ASSETS	<u><u>671 745 99</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 628 10</u>
Total Current Liabilities	<u>1 628 10</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>1 628 10</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	89 201 23
Unrestricted	<u>580 916 66</u>
Total Net Assets	<u>670 117 89</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>671 745 99</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Charges for Services</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	5 700 00	-		(5 700 00)
General government	86 277 01		200 00	(86 077 01)
Public safety	61 338 00	-		(61 338 00)
Public works	33 320 95	-		(33 320 95)
Culture and recreation	23 566 08	-		(23 566 08)
Total Governmental Activities	<u>210 202 04</u>		<u>200 00</u>	<u>(210 002 04)</u>
General Revenues:				
Property taxes				51 925 88
State revenue sharing				155 574 50
Interest				19 610 04
Miscellaneous				<u>28 801 00</u>
Total General Revenues				<u>255 911 42</u>
Change in net assets				45 909 38
Net assets, beginning of year				<u>624 208 51</u>
Net Assets, End of Year				<u>670 117 89</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

BALANCE SHEET - GOVERNMENTAL FUNDS
March 31, 2006

<u>Assets</u>	<u>General</u>
Cash in bank	578 732 06
Taxes receivable	3 224 14
Due from other funds	<u>588 56</u>
Total Assets	<u>582 544 76</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	
Total liabilities	<u>1 628 10</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	
Total fund equity	<u>580 916 66</u>
	<u>580 916 66</u>
Total Liabilities and Fund Equity	<u>582 544 76</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 580 916 66

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	118 643 73
Accumulated depreciation	<u>(29 442 50)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 670 117 89

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>
Revenues:	
Property taxes	51 925 88
State revenue sharing	155 574 50
Charges for services - other	200 00
Interest	19 610 04
Miscellaneous	<u>28 801 00</u>
Total revenues	<u>256 111 42</u>
Expenditures:	
Legislative:	
Township Board	5 700 00
General government:	
Supervisor	9 874 40
Elections	378 00
Assessor	13 000 00
Clerk	10 223 20
Board of Review	1 111 46
Treasurer	14 554 20
Building and grounds	1 906 65
Cemetery	6 507 12
Unallocated	28 721 98
Public safety:	
Liquor control	1 400 00
Fire	59 938 00
Public works:	
Highways and streets	22 965 60
Street lights	5 107 79
Drains	5 247 56
Culture and recreation:	
Parks and recreation	15 546 83
Library	500 00
Capital outlay	<u>28 940 00</u>
Total expenditures	<u>231 622 79</u>
Excess of revenues over expenditures	24 488 63
Fund balance, April 1	<u>556 428 03</u>
Fund Balance, March 31	<u><u>580 916 66</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 24 488 63

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(7 519 25)
Capital Outlay	<u>28 940 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>45 909 38</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Nottawa, Isabella County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Nottawa. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was .9874 mills, and the taxable value was \$52,596,343.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$100.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25 years
Furniture and equipment	15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>579 320 62</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>480 411 92</u>
Total Deposits	<u>580 411 92</u>

The Township of Nottawa did not have any investments as of March 31, 2006.

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Buildings	15 200 00	-	-	15 200 00
Equipment	<u>74 503 73</u>	<u>28 940 00</u>	<u>-</u>	<u>103 443 73</u>
Total	89 703 73	28 940 00	-	118 643 73
Accumulated Depreciation	<u>(21 923 25)</u>	<u>(7 519 25)</u>	<u>-</u>	<u>(29 442 50)</u>
Net Capital Assets	<u><u>67 780 48</u></u>	<u><u>21 420 75</u></u>	<u><u>-</u></u>	<u><u>89 201 23</u></u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2006, was \$7,857.44.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Nottawa does not issue building permits. Building permits are issued by the County of Isabella.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u><u>588 56</u></u>	Current Tax Collection	<u><u>588 56</u></u>

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	47 451 49	47 451 49	51 925 88	4 474 39
State revenue sharing	151 457 50	151 457 50	155 574 50	4 117 00
Charges for services:				
Other	1 000 00	1 000 00	200 00	(800 00)
Interest	5 000 00	5 000 00	19 610 04	14 610 04
Miscellaneous	20 501 50	20 501 50	28 801 00	8 299 50
Total revenues	<u>225 410 49</u>	<u>225 410 49</u>	<u>256 111 42</u>	<u>30 700 93</u>
Expenditures:				
Legislative:				
Township Board	30 950 00	6 800 00	5 700 00	(1 100 00)
General government:				
Supervisor	10 600 00	10 600 00	9 874 40	(725 60)
Elections	2 600 00	2 600 00	378 00	(2 222 00)
Assessor	13 000 00	13 000 00	13 000 00	-
Clerk	10 600 00	10 600 00	10 223 20	(376 80)
Board of Review	1 750 00	1 750 00	1 111 46	(638 54)
Treasurer	14 925 00	14 925 00	14 554 20	(370 80)
Building and grounds	22 950 00	22 950 00	1 906 65	(21 043 35)
Cemetery	8 700 00	8 700 00	6 507 12	(2 192 88)
Unallocated	15 200 00	39 350 00	28 721 98	(10 628 02)
Public safety:				
Liquor control	1 400 00	1 400 00	1 400 00	-
Fire	67 000 00	67 000 00	59 938 00	(7 062 00)
Public works:				
Highways and streets	125 250 00	125 250 00	22 965 60	(102 284 40)
Street lights	6 000 00	6 000 00	5 107 79	(892 21)
Drains	6 000 00	6 000 00	5 247 56	(752 44)
Culture and recreation:				
Parks and recreation	15 900 00	15 900 00	15 546 83	(353 17)
Library	500 00	500 00	500 00	-
Contingency	27 650 00	27 650 00	-	(27 650 00)
Capital outlay	50 000 00	50 000 00	28 940 00	(21 060 00)
Total expenditures	<u>430 975 00</u>	<u>430 975 00</u>	<u>231 622 79</u>	<u>(199 352 21)</u>
Excess (deficiency) of revenues over expenditures	(205 564 51)	(205 564 51)	24 488 63	230 053 14
Fund balance, April 1	<u>205 564 51</u>	<u>205 564 51</u>	<u>556 428 03</u>	<u>350 863 52</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>580 916 66</u>	<u>580 916 66</u>

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Township Board:	
Salaries	<u>5 700 00</u>
Supervisor:	
Salary	9 000 00
Miscellaneous	<u>874 40</u>
	<u>9 874 40</u>
Election:	
Wages	<u>378 00</u>
Assessor:	
Salary	<u>13 000 00</u>
Clerk:	
Salary	9 000 00
Miscellaneous	<u>1 223 20</u>
	<u>10 223 20</u>
Board of Review:	
Wages	1 000 00
Miscellaneous	<u>111 46</u>
	<u>1 111 46</u>
Treasurer:	
Salary	12 865 00
Miscellaneous	<u>1 689 20</u>
	<u>14 554 20</u>
Building and grounds:	
Contracted services	720 00
Repairs and maintenance	228 00
Utilities	<u>958 65</u>
	<u>1 906 65</u>
Cemetery:	
Repairs and maintenance	1 875 60
Contracted services	4 335 00
Utilities	<u>296 52</u>
	<u>6 507 12</u>
Unallocated:	
Mileage	56 40
Payroll taxes	1 201 05
Dues	1 442 84
Contracted services	7 400 00
Printing and publishing	2 311 22
Postage	818 00
Insurance	4 012 00
Pension	7 857 44
Operating supplies	1 235 03
Miscellaneous	<u>2 388 00</u>
	<u>28 721 98</u>
Liquor law enforcement:	
Wages	<u>1 400 00</u>
Fire:	
Contracted services	44 350 00
Repairs and maintenance	4 500 00
Supplies	<u>11 088 00</u>
	<u>59 938 00</u>

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Highways and streets:	
Repairs and maintenance	<u>22 965 60</u>
Street lighting:	
Utilities	<u>5 107 79</u>
Drains:	
Repairs and maintenance	<u>5 247 56</u>
Parks and recreation:	
Repairs and maintenance	1 405 03
Supplies	2 678 47
Contracted services	11 311 60
Utilities	<u>151 73</u>
	<u>15 546 83</u>
Library:	
Contracted services	<u>500 00</u>
Capital outlay	<u>28 940 00</u>
Total Expenditures	<u><u>231 622 79</u></u>

TOWNSHIP OF NOTTAWA
Isabella County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 200

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>Assets</u>				
Cash in Bank	<u>47 053 16</u>	<u>1 563 513 48</u>	<u>1 609 978 08</u>	<u>588 56</u>
<u>Liabilities</u>				
Due to other funds	47 053 16	60 880 05	107 344 65	588 56
Due to other units	<u>-</u>	<u>1 502 633 43</u>	<u>1 502 633 43</u>	<u>-</u>
Total Liabilities	<u>47 053 16</u>	<u>1 563 513 48</u>	<u>1 609 978 08</u>	<u>588 56</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

RECEIVED
DEPT. OF TREASURY

April 17, 2006

JUN 05 2006

To the Township Board
Township of Nottawa
Isabella County, Michigan

LOCAL AUDIT & FINANCE DIV.

We have audited the financial statements of the Township of Nottawa for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Nottawa in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Nottawa
Isabella County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants